

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

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R 230752Z JAN 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 62

INFO AMEMBASSY TAIPEI

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TAGS: EAGR, RP, OVIP (YEUTTER, CLAYTON K)

SUBJ: ASST. SEC. YEUTTER AND FAS ADMINISTRATOR DAVID HUME MEETINGS
WITH PHILIPPINE OFFICIALS ON COTTON CONTRACT PROBLEMS

SUMMARY: YEUTTER AND HUME MET WITH THE TEXTILE MILLS ASSOCIATION OF THE PHILIPPINES (TMAP), HIGH LEVEL GOP OFFICIALS, AND THE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP) REGARDING THE COTTON CONTRACT PROBLEMS. TMAP THOUGHT THAT EXTENSION OF FULL BENEFITS OF CCC CREDIT TERMS TO MILLS WOULD HELP, BUT WOULD NOT SOLVE THE PROBLEMS OF SOME MILLS. THE MEETING WITH GOP CABINET LEVEL OFFICIALS SERVED TO UNDERLINE THE SERIOUSNESS OF THE PROBLEM TO THESE HIGH LEVEL OFFICIALS. DBP HAS PROMISED TO PRESENT A PROPOSAL FOR DEALING WITH THE PROBLEM WITHIN THE NEXT TWO TO THREE WEEKS. END OF SUMMARY.

1. YEUTTER AND HUME MET WITH OFFICERS OF TMAP ON JANUARY 20 AT A BUSINESS BREAKFAST TO DISCUSS THE PHILIPPINES COTTON CONTRACT PROBLEMS. OTHERS PRESENT AT THE MEETING WERE THE AGRICULTURAL ATTACHE, ASST. AGATTACHE AND JOE WILLIAMS/STATE/EB/ORF/FTD. YEUTTER REVIEWED THE PROBLEM AND CONTRASTED THE PHILIPPINE

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SITUATION WITH KOREA AND TAIWAN. HE ENCOURAGED THE TMAP OFFICERS

TO RECOMMEND POSITIVE ACTIONS THAT GOP MIGHT TAKE TO SETTLE THE CONTRACT PROBLEM IN THE SHORTEST POSSIBLE TIME. HE SPECIFICALLY ASKED IF MILLS WOULD BE MORE LIKELY TO OPEN THEIR LETTERS OF CREDIT UNDER A MORE FAVORABLE CCC LOAN ARRANGEMENT IN WHICH THE MILLS WOULD RECEIVE FULL BENEFIT OF 36-MONTH CCC CREDIT TERMS. TMAP OFFICERS FELT THIS WOULD HELP BUT COULD NOT GIVE A DEFINITIVE ANSWER WHEN ASKED HOW MANY OF THE 16 MILLS WITH OVERDUE L/C'S WOULD INITIATE ACTIONS TO CLEAR THEM UP IF 36-MONTH CCC CREDIT COULD BE ARRANGED. YEUTTER REPHRASED HIS QUESTION AND ASKED HOW MANY OF THE 16 MILLS WOULD NOT BE ABLE TO STAY IN BUSINESS DESPITE MORE FAVORABLE CCC CREDIT TERMS. THE TMAP PRESIDENT ANSWERED THAT THREE OR FOUR MILLS WERE IN VERY SERIOUS FINANCIAL TROUBLE BUT THAT HE COULD NOT SAY THAT THEY WERE ABOUT TO GO OUT OF BUSINESS.

2. YEUTTER AND HUME MET WITH CENTRAL BANK GOVERNOR LICAROS AND OTHER HIGH LEVEL GOP OFFICIALS LATER IN MORNING OF JANUARY 20. WHILE TOPICS OF DISCUSSION WERE GENERALLY THE U.S. AGRICULTURAL SUPPLY SITUATION AND THE PHILIPPINE COMMODITY DEMAND PICTURE FOR 1975 AND BEYOND U.S. CONCERN ABOUT THE COTTON CONTRACT PROBLEM WAS PRESENTED IN THE COURSE OF THE MEETING. LEONIDES VIRATA, CHAIRMAN OF THE BOARD OF GOVERNORS, DBP, SUGGESTED THAT THE DISCUSSION ON THE SUBJECT BE DELAYED UNTIL AN AFTERNOON SESSION WITH THE DBP WHICH HAD BEEN PREVIOUSLY SCHEDULED.

3. PRESENT AT THE AFTERNOON SESSION WERE CHAIRMAN VIRATA, GOVERNOR OCAMPO AND MRS. ALICIA REYES OF THE DBP. YEUTTER AND HUME WERE ACCOMPANIED BY THE AGATTACHE, ASST. AGATTACHE AND JOE WILLIAMS. VIRATA OPENED THE MEETING BY STATING THAT AFTER THE MORNING SESSION HE MET WITH GOVERNOR LICAROS OF THE CENTRAL BANK ABOUT THE PROBLEM AND AFTER LUNCH RETURNED TO THE DBP AND BRIEFED HIS STAFF ON YEUTTER REMARKS AT THE MORNING MEETING AND HIS SESSION WITH GOVERNOR LICAROS. VIRATA THEN TOLD THE GROUP THAT HIS STAFF HAD COMPLETED BASIC WORK ON A PROPOSAL TO DEAL WITH THE PROBLEM JUST A FEW MINUTES PRIOR TO OUR ARRIVAL AT THE BANK. VIRATA THEN ADDED THAT THE FINAL DETAILS OF THE PROPOSAL HAD TO BE WORKED OUT AND APPROVED BUT THAT HE WOULD DELIVER THE PROPOSAL WITHIN TWO OR THREE WEEKS. YEUTTER THANKED HIM FOR GIVING THE PROBLEM HIS ATTENTION AND TO PROD THE GOP TO TAKE A MORE LIMITED OFFICIAL USE

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POSITIVE AND ACTIVE ROLE IN PROVIDING ASSISTANCE TO THE MILLS. YEUTTER BRIEFED THE DBP OFFICIALS ABOUT SOME OF THE MEASURES BEING TAKEN BY THE GOVERNMENTS OF KOREA AND TAIWAN TO DEAL WITH THEIR COTTON PROBLEMS.

4. WILLIAMS OBSERVED IN BOTH MEETINGS WITH TMAP AND DBP THAT SO FEW L/CS HAD BEEN OPENED TO DATE THAT CONCERN WITHIN U.S. COTTON INDUSTRY WAS RAPIDLY MOUNTING IN SPITE OF ASSURANCE

RECEIVED FROM VARIOUS GOVERNMENTS. WILLIAMS NOTED THAT IT WAS NOT IN INTEREST OF EITHER USG OR GOP TO SEE CONTRACT DIFFICULTIES SPILL OVER INTO UNRELATED AREAS, BUT THAT IN PRESENT SITUATION THIS HAD TO BE CONSIDERED A POSSIBILITY. VIRATA COMMENTED THAT IT WAS NOT IN INTEREST OF GOP TO LET THE COTTON CONTRACT PROBLEM JEOPARDIZE OTHER FINANCIAL PROGRAMS AND THE \$30 MILLION COTTON PROBLEM WAS NOT INSURMOUTABLE.
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